



How to Determine Value and Make an Offer on a Home

From Janet Wickell, Your Guide to Home Buying / Selling.

Advice to Help You when You're Buying a Home

If you've been home shopping for awhile you might feel confident that you understand the market value of houses in your area. But it's not unusual for even seasoned home buyers to feel a bit queasy when it's time to make a formal offer. Here are some tips that can help you get the best deal when you're buying a home.

Lowballing it

Come in too low and you'll run the risk of alienating the seller. That's fine if low is all you'll go, or if the property is truly overpriced, but it can create problems with future negotiations. Some seller's take a lowball offer as a personal insult and may not be as anxious to deal with you as they would have been had you made a more realistic first offer.

Being generous

Come in too high and you may not find the seller's low point. If you really want the house, and if competition is high, an offer near or above the asking price might be a must.

No matter what your strategy is, you should have a very good idea of the home's market value before you make an offer.

If you're working with an agent

Seller's Agents

A seller's agent won't become too involved in your pricing dilemma, because it's the agent's duty to get the best deal for the seller. However, most agents will run lists of comparable properties that have sold and give them to you to study.

Think *distant* here—the agent will give you material facts, but probably no opinions.

Buyer's Agents

A buyer's agent will help you determine the best price to offer. The agent will run comparables for you, and should become involved in offer strategies.

For Sale by Owner Homes

If you're working with a home that's for sale by owner, or just want to do some research, there are some steps you can take to find information yourself.

Finding Sales Information

Visit Your Courthouse

Ask the staff to explain how to decipher deeds or other records that indicate sales prices. For example, where I live, each real estate deed is stamped with the amount of excise tax paid at closing. Each tax dollar represents \$500 in sales price, so it's easy to calculate how much the buyer paid for the property.

Home buyers around the US will find huge differences in the ease of this type of search. Some record-keeping systems are much simple to access than others. Some localities have records available on disk or online, but most do not.

This type of search is easiest to accomplish when you know the address of specific properties or the names of the buyers or sellers. If you attend open houses, keep the listing sheets. When the house has sold, go get the details. Attending open houses helps you track the condition of homes. It's hard to make comparisons by looking only at recorded stats.

Public records often include sketches and facts about a home's structural components.

Asking prices

Advertising gives you a feel for average asking prices, but your focus should be on *sales* prices. You'll find them recorded as explained above or on multiple listing recaps of sold properties.

Should You Have an Appraisal?

Order an appraisal before making the offer, but make sure the results will not be shared with others (and keep in mind that opinions from different appraisers can vary).

What about tax values?

Tax valuations are not a good measure of a property's market value. Your community might have a general guideline, such as tax value = 80% of market value, but the figures are not usually reliable. Ask your local tax assessor for details about your specific area.

Take a look at a home's tax value, but never assume it matches the market value of the property.

Other factors that affect price

- How long has the house been on the market? If only a short time the sellers might not too motivated.
- How does the house compare with others for sale in the same neighborhood?
- Is the house in need of repairs or massive updates? Updating items such as insulated windows, plumbing and electrical systems, kitchens, and baths can be costly.
- How much time is left in the roof?
- What about the neighborhood, do you foresee home values climbing, staying the same, or possibly taking a downturn?

Bottom line

Analyze each home's condition and compare it to others on the market, but your final offer will likely involve a good deal of gut instinct. Is it *the* house for you? If you've been searching for a home for awhile, you will probably know the answer to that question the minute you walk in the door.

More About Offers

Read [Contract Contingency Basics](#) before you write your offer.